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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Chengtong Development Group Limited**, you should at once hand this circular accompanying with the form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**CHINA CHENGTONG DEVELOPMENT GROUP LIMITED**

**中國誠通發展集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 217)**

**CONTINUING CONNECTED TRANSACTIONS AND  
DISCLOSEABLE TRANSACTION IN RELATION TO  
NEW FINANCIAL SERVICES AGREEMENT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser  
to the Independent Board Committee and the independent Shareholders**



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 1 to 11 of this circular. A letter from the Independent Board Committee is set out on pages 12 to 13 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the independent Shareholders is set out on pages 14 to 28 of this circular.

A notice convening the EGM to be held at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 9 November 2015 at 10:00 a.m. is set out on pages 32 to 33 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same as soon as possible and in any event not later than 48 hours before the time of the EGM or any adjournment thereof to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

22 October 2015

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission
“CCHG”	中國誠通控股集團有限公司 (China Chengtong Holdings Group Limited), a company incorporated in the PRC and the holding company of CCHK
“CCHK”	China Chengtong Hong Kong Company Limited (中國誠通香港有限公司), a company incorporated in Hong Kong and the holding company of World Gain Holdings Limited, a controlling Shareholder
“Chengtong Finance”	誠通財務有限責任公司 (China Chengtong Finance Corporation Ltd.), a company incorporated in the PRC and a non-banking financial institution approved by the CBRC
“close associate”	has the meaning ascribed to it under the Listing Rules
“Company”	China Chengtong Development Group Limited (中國誠通發展集團有限公司), a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Deposit Cap”	the proposed maximum daily outstanding balance of deposits placed by the Group with Chengtong Finance during the term of the New Financial Services Agreement
“Deposit Services”	the deposit services to be provided by Chengtong Finance to the Group pursuant to the terms of the New Financial Services Agreement
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“Effective Date”	the date on which the independent Shareholders approve the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap)
“EGM”	the extraordinary general meeting of the Company convened to be held on Monday, 9 November 2015 at 10:00 a.m. for the independent Shareholders to consider and, if thought fit, to approve, among other matters, the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap)
“Financial Services Agreement”	the financial services agreement dated 21 May 2014 entered into between the Company and Chengtong Finance pursuant to which Chengtong Finance agreed to provide the Group with a scope of financial services
“Group”	the Company and its subsidiaries from time to time, and “Group company(ies)” shall be construed accordingly
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors to advise the independent Shareholders on the terms of the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap)
“Latest Practicable Date”	16 October 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Member Companies”	include the holding company of Chengtong Finance (i.e. CCHG), the subsidiaries which are owned as to more than 51% by such holding company, companies which are individually or jointly owned as to more than 20% by Chengtong Finance’s holding company and subsidiaries, or companies in which its holding company and subsidiaries individually or jointly own less than 20% but is/are the substantial shareholder(s) thereof, and service organizations (事業單位) or social organizations (社會團體法人) subordinated under its holding company or subsidiaries

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## DEFINITIONS

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“Messis Capital” or “Independent Financial Adviser”	Messis Capital Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in respect of the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap)
“New Financial Services Agreement”	the financial services agreement dated 6 August 2015 entered into between the Company and Chengtong Finance pursuant to which Chengtong Finance has agreed to provide the Group with a scope of financial services
“PBC”	The People’s Bank of China
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Previous EGM”	the extraordinary general meeting of the Company held on 18 September 2014
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

*If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.*

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## LETTER FROM THE BOARD

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### CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 217)**

*Executive Directors:*

Yuan Shaoli (*Chairman*)  
Wang Hongxin (*Managing Director*)  
Wang Tianlin  
Zhang Bin

*Registered address and principal place of  
business in Hong Kong:*

Suite 6406, 64th Floor  
Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

*Independent non-executive Directors:*

Chang Qing  
Lee Man Chun, Tony  
He Jia

22 October 2015

*To the Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION IN RELATION TO NEW FINANCIAL SERVICES AGREEMENT**

#### **BACKGROUND**

Reference is made to the announcement of the Company dated 6 August 2015 in which the Company announced that after trading hours on 6 August 2015, the Company and Chengtong Finance entered into the New Financial Services Agreement, pursuant to which Chengtong Finance agreed to provide the Group with a range of financial services, including the Deposit Services, for a term commencing from the Effective Date to 31 December 2017, subject to the terms and conditions provided therein.

Reference is also made to the continuing connected transaction announcement of the Company dated 21 May 2014, the circular of the Company dated 25 August 2014 and the poll results announcement of the Company dated 18 September 2014. The Company entered into the Financial Services Agreement with Chengtong Finance on 21 May 2014 in respect of the provision of certain financial services by Chengtong Finance to the Group. The resolution in relation to the Financial Services Agreement and its contemplated transactions was proposed but was not passed by the Shareholders at the Previous EGM. Following the Previous EGM, the Company and Chengtong Finance re-negotiated on the terms of the transactions contemplated under the Financial Services Agreement and eventually entered into the New Financial Services Agreement.

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## LETTER FROM THE BOARD

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The provision of the Deposit Services contemplated under the New Financial Services Agreement constitutes (1) continuing connected transactions under the Listing Rules and is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, and (2) a discloseable transaction under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) further information on the Deposit Services contemplated under the New Financial Services Agreement; (ii) a letter from the Independent Financial Adviser; (iii) a letter from the Independent Board Committee; and (iv) the notice convening the EGM.

### DEPOSIT SERVICES UNDER THE NEW FINANCIAL SERVICES AGREEMENT

**Date:** 6 August 2015

**Parties:**

- (i) the Company; and
- (ii) Chengtong Finance

Chengtong Finance is a company incorporated in the PRC on 14 June 2012 and a non-banking financial institution with 金融許可證 (a financial licence issued by the CBRC), which is principally engaged in the provision of financial services, including deposit taking, credit facilities granting, settlement services, and other types of financial services to Member Companies.

**Duration:**

From the Effective Date to 31 December 2017.

**Key terms of the Deposit Services:**

Chengtong Finance shall provide the Group with a range of financial services subject to the terms and conditions of the New Financial Services Agreement including the provision of the Deposit Services on the following major terms:

- (1) The Group can make deposits with Chengtong Finance at its discretion, such as current deposit, call deposit and time deposit.

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## LETTER FROM THE BOARD

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- (2) The interest rates payable by Chengtong Finance to the Group for any deposits shall (i) be 20%–50% higher than the deposit interest rate prescribed by the PBC for deposits with the same term and of the same type (in the event that an adjustment to the deposit interest rate is made by the PBC, the applicable interest rate shall follow the latest benchmark interest rate and range of increment); (ii) not be lower than the interest rates payable by the major commercial banks in the PRC for deposits with the same term and of the same type; and (iii) not be lower than the interest rates offered by Chengtong Finance to any third party for deposits with the same term and of the same type.
- (3) Deposit Cap: The daily balance of the Group’s deposits (including any interest accrued therefrom) with Chengtong Finance for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 shall not exceed an amount equivalent to RMB500 million.
- (4) The above balance of the Group’s deposits excludes (i) loans, entrusted loans or discounted bills advanced by Chengtong Finance to the Group; (ii) loan interests payable by the Group to Chengtong Finance; and (iii) the bank loans obtained through guarantee provided by Chengtong Finance.
- (5) Chengtong Finance will ensure the security of the Group’s deposits by depositing them into commercial banks approved by the PRC government.
- (6) In case Chengtong Finance is unable to pay back the Group’s deposits to the Group, the Company shall have the right to terminate the New Financial Services Agreement and offset any loan repayable by the Group to Chengtong Finance by the amount of deposits due to the Group from Chengtong Finance.
- (7) Chengtong Finance shall indemnify the Company in full for any economic loss suffered by the Company as a result of Chengtong Finance’s breach of the New Financial Services Agreement.

For the purpose of illustration, the Company had sought quotations as to the interest rates offered by Chengtong Finance, the PBC and certain other major commercial banks in the PRC for deposits with the same term and of the same type. A summary of the same is set out below:

Type and term of the deposit	Approximate interest rate offered (note 1)		
	Chengtong Finance	PBC	Other major commercial banks in the PRC (note 2)
1. Current deposit	0.4200%	0.3500%	0.3500%



## LETTER FROM THE BOARD

Type and term of the deposit	Approximate interest rate offered (note 1)		
	Chengtong Finance	PBC	Other major commercial banks in the PRC (note 2)
2. Time deposit			
– 3 months	1.9575%	1.3500%	1.6200%-1.7550%
– 6 months	2.2475%	1.5500%	1.8600%-2.0150%
– 1 year	2.5375%	1.7500%	2.1000%-2.2750%
– 2 years	3.4075%	2.3500%	2.8200%-3.0550%
– 3 years	4.3500%	3.0000%	3.6000%-3.9000%
3. Agreement deposit	1.3800%	1.1500%	1.1500%
4. Call deposit			
– 1 day	0.9600%	0.8000%	0.8000%
– 7 days	1.6200%	1.3500%	1.3500%

*Notes:*

1. The interest rates were quoted during the period from 26 August 2015 to 1 September 2015.
2. These major commercial banks include Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China Limited, Bank of Communications and China Construction Bank.

### Undertakings by Chengtong Finance and CCHG:

Chengtong Finance undertakes to the Group, among other things, that it shall:

- (a) ensure the safety and independence of the Group's deposits and not impose any restriction thereon;
- (b) cooperate with the Group in compliance with the disclosure requirements under the relevant rules and regulations regarding the connected transactions contemplated under the New Financial Services Agreement;
- (c) regularly supply annual audit report or such other financial information as requested by the Company, regularly disclose its operation and financial conditions to the Company, allow the Company's auditors to review its accounting records for the purpose of complying with the Listing Rules;
- (d) allow and cooperate with the Group to carry out stress testing on its deposits with Chengtong Finance from time to time; and

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## LETTER FROM THE BOARD

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- (e) notify the Company and take measures to prevent loss from happening or further loss should it be in breach of relevant laws and regulations or subject to regulatory proceedings or have material adverse changes in its financial condition.

CCHG, the ultimate holding company of Chengtong Finance, has undertaken to the CBRC that it will increase the capital of Chengtong Finance in case Chengtong Finance has difficulty in payment (including but not limited to the payment of any indemnity to the Company pursuant to the terms of the New Financial Services Agreement).

### DEPOSIT CAP

It is proposed that the maximum daily balance of the Group's deposits (including any interest accrued therefrom) with Chengtong Finance for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 shall not exceed an amount equivalent to RMB500 million.

The Deposit Cap is determined based on the amount of deposits historically made by the Group with other independent commercial banks in the PRC. As at 30 June 2015 and as at 31 December 2014 and 2013, the Group's bank balances and cash (excluding structured bank deposits and pledged bank deposits) amounted to approximately HK\$1,269 million, HK\$728 million and HK\$2,557 million respectively.

The monthly ending balances of deposits (excluding structured bank deposits and pledged bank deposits) historically made by the Group with other independent commercial banks in the PRC for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 are set out below:

	<b>For the year ended 31 December 2013</b>	<b>For the year ended 31 December 2014</b>	<b>For the six months ended 30 June 2015</b>
Monthly ending balances of deposits historically made by the Group with other independent commercial banks in the PRC	Approximately RMB338 million to approximately RMB4,861 million	Approximately RMB432 million to approximately RMB1,742 million	Approximately RMB177 million to approximately RMB514 million

The Deposit Cap of RMB500 million is well below the maximum monthly ending balance of deposits made by the Group with other independent commercial banks in the PRC during the period from 1 January 2013 to 30 June 2015 (“**Reference Period**”) and only represents approximately 10% of the maximum monthly ending balance of approximately RMB4,861 million during the Reference Period.

The Directors consider that the proposed Deposit Cap will not have significant adverse impact on the Group's utilisation of fund.

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## LETTER FROM THE BOARD

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The Company confirms that there was no historical cap and no outstanding balance for the Deposit Services with Chengtong Finance as at the Latest Practicable Date.

### INTERNAL CONTROL AND RISK MANAGEMENT OF THE COMPANY

In order to safeguard the interests of the Shareholders, the Company has adopted, among others, the following internal control procedures and corporate governance procedures in order to ensure that the individual deposit transactions with Chengtong Finance will be conducted within the framework of the Deposit Services contemplated under the New Financial Services Agreement:

- (a) The Company has established a special working committee (“**Working Committee**”) which is led by the chairman of the Board to monitor and control the risk of the Deposit Services and to formulate solutions in resolving any risk which may arise in connection therewith. The general manager and the vice general manager of the Company act as the vice chairman of the Working Committee. The Working Committee also includes the head of the finance and capital department, risk control and legal affairs department and operation management department.
- (b) The Company has also established a risk reporting system for the Deposit Services. The Working Committee will review the financial statements of Chengtong Finance periodically and collect risk management report and the annual operation report of Chengtong Finance submitted to the CBRC by Chengtong Finance on a yearly basis. The Working Committee will also assess the business and financial risks of Chengtong Finance during the term of the New Financial Services Agreement and report to the Board in a timely manner.
- (c) The treasury manager of the finance and capital department of the Company (“**Treasury Manager**”) will, among other matters, monitor the daily balance of the deposits made by the Group with Chengtong Finance and will compare (i) the term of deposit and the corresponding deposit benchmark interest rates prescribed by the PBC to ensure the interest rate offered by Chengtong Finance is 20%-50% higher than the deposit interest rates prescribed by the PBC; and (ii) the market interest rates offered to the Group from at least two leading independent commercial banks (e.g. China Merchants Bank and Agricultural Bank of China etc.) with the interest rates offered by Chengtong Finance for the relevant type of deposit on a monthly basis in order to ensure that the terms and conditions offered by Chengtong Finance to the Group are no less favourable than those offered by other independent commercial banks and in accordance with the terms under the New Financial Services Agreement.
- (d) The Treasury Manager will obtain information as to the deposit interest rate which Chengtong Finance offers to other Member Companies on a monthly basis in order to ensure that the interest rate offered to the Group is not lower than that offered by Chengtong Finance to other Member Companies.

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## LETTER FROM THE BOARD

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- (e) The Treasury Manager will also obtain a breakdown of Chengtong Finance's deposits (including the names of the banks and the amount of deposit balance) on a monthly basis in order to ensure that the Group's deposits placed with Chengtong Finance is deposited into commercial banks approved by the PRC government.
- (f) By monitoring the amount of deposits placed by the Group with Chengtong Finance on a regular basis, the Company will ensure that the amount of deposits will not exceed the Deposit Cap.

Before the Company or any of its subsidiaries enters into any individual agreement for the Deposit Services with Chengtong Finance, the Group will obtain not less than two quotations from other independent commercial banks (which shall be leading licensed banks in the PRC) in relation to deposit services of the same type and with the same duration. These quotations together with the quotation of Chengtong Finance will be submitted to the financial controller of the Company for review. The financial controller of the Company will then seek the approval of an executive Director as to whether or not to accept the quotation of Chengtong Finance.

The Treasury Manager will prepare cashflow statement on a weekly basis according to the cashflow condition of the Group. If it is necessary to adjust the balance of the deposits made by the Group with Chengtong Finance, an application will need to be made to the manager of the finance department and if approved by the manager of the finance department, the proposed adjustment will be reported to a Director authorised by the Company. The adjustment can only be made if it is approved by the Director so authorised after considering factors which are independent from the controlling Shareholder, such as the maximization of interest income for the Group and the Group's expected cashflow.

### **INFORMATION OF THE GROUP AND CHENGTONG FINANCE**

The principal activities of the Group are property development, property investment, financial leasing, hotel and marine travelling services, bulk commodity trade and trading of coal.

Chengtong Finance is a non-banking financial institution subject to the supervision of the CBRC. Its establishment was approved by the CBRC on 25 May 2012 and it is authorised to provide a variety of financial services including (i) the provision of consultation services relating to financial affairs and financing to Member Companies, credit evaluation and related consultation and agency business, (ii) the provision of assistance to Member Companies in the receipt and payment of transaction money, (iii) the provision of guarantee to Member Companies, (iv) the provision of entrustment loans among Member Companies, (v) handling the bill acceptance and discount for Member Companies, (vi) handling the internal transfer and settlement of funds among Member Companies and formulation of liquidation plan, (vii) the provision of deposit services to Member Companies, (viii) the provision of loan and financing lease to Member Companies, and (ix) the engagement in short term financing among financial institutions.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Chengtong Finance had a registered capital of RMB1 billion which was owned as to 71% by CCHG, as to 20% by 中國紙業投資總公司 (China Paper Corporation) and as to 9% by 中儲發展股份有限公司 (CMST Development Company Limited). CCHG is a state-owned enterprise, 中國紙業投資總公司 (China Paper Corporation) is a directly wholly-owned subsidiary of CCHG and 中儲發展股份有限公司 (CMST Development Company Limited), whose shares are listed on the Shanghai Stock Exchange (stock code: 600787), is an indirectly non wholly-owned subsidiary of CCHG.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW FINANCIAL SERVICES AGREEMENT**

As Chengtong Finance and the Group are both members within the group of CCHG, Chengtong Finance is much more familiar with the Group's operation than other financial institutions. It is expected that Chengtong Finance will provide the Group with flexible and tailor-made financial services. Further, being a subsidiary of CCHG, Chengtong Finance is expected to provide centralised financial platform for the Group with less cost.

CCHG is a state-owned enterprise established in the PRC with a registered capital of approximately RMB9.38 billion as at 19 March 2015. CCHG's audited net asset value as at 31 December 2014 was approximately RMB26.16 billion. With CCHG's undertaking to increase the capital of Chengtong Finance if Chengtong Finance has difficulty in payment, the Directors are of the view that the Group's interest is sufficiently safeguarded.

Moreover, Chengtong Finance is subject to the supervision of the CBRC and provides its services in accordance with the rules and operational requirements of CBRC. The management of the Company believes that up to the Latest Practicable Date, Chengtong Finance had shown healthy financial position and had been under good corporate governance with quality internal control system. Chengtong Finance has complied with the rules and regulations stipulated by the CBRC and its internal control and risk management measures since its commencement of operation. The management of the Company also believes that the risk profile of Chengtong Finance, as a financial services provider to the Company, is not greater than that of independent commercial banks in the PRC.

Pursuant to the Financial Services Agreement, Chengtong Finance agreed that the interest rates payable by Chengtong Finance to the Group for any deposits would not be lower than (i) the deposit interest rate prescribed by the PBC for deposits with the same term and of the same type; (ii) the interest rates payable by major commercial banks in the PRC in the same period for deposits of the same type; and (iii) the interest rates offered by Chengtong Finance to any third party in the same period for deposits of the same type ("**Previous Terms**").

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## LETTER FROM THE BOARD

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However, the resolution in relation to the Financial Services Agreement and its contemplated transactions was proposed but was not passed by the Shareholders at the Previous EGM. Considering the numerous benefits that the cooperation with Chengtong Finance can bring to the Company and the Shareholders as disclosed herein, the Group has re-negotiated with Chengtong Finance and eventually entered into the New Financial Services Agreement with Chengtong Finance which contains such terms better than the Previous Terms. In particular, for the interest rates under the Deposit Services contemplated under the New Financial Services Agreement, Chengtong Finance agrees to offer the Group an interest rate which shall (i) be 20%-50% higher than the deposit interest rate prescribed by the PBC for deposits with the same term and of the same type (in the event that an adjustment to the deposit interest rate is made by the PBC, the applicable interest rate shall follow the latest benchmark interest rate and range of increment); (ii) not be lower than the interest rates payable by the major commercial banks in the PRC for deposits with the same term and of the same type; and (iii) not be lower than the interest rates offered by Chengtong Finance to any third party for deposits with the same term and of the same type.

Furthermore, pursuant to the terms of the Deposit Services contemplated under the New Financial Services Agreement, the Group can make deposits with Chengtong Finance at its discretion. The Group is therefore neither obliged nor committed to engage Chengtong Finance to provide the Deposit Services under the New Financial Services Agreement and Chengtong Finance is merely one of the financial institutions which may provide deposit services to the Group. This allows the Group to select the appropriate provider for deposit services as and when the Directors consider fit.

According to the New Financial Services Agreement, Chengtong Finance makes certain undertakings to the Group to enable the Group to assess the risks on placing deposits at Chengtong Finance from time to time and to safeguard the Group's deposits. As advised by the Directors, the Group did not obtain similar undertakings from financial institutions which are currently providing deposit services to the Group.

The Directors (including the independent non-executive Directors) are therefore of the view that the terms of the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap) are fair and reasonable and on normal commercial terms, and the entering into of the Deposit Services contemplated under the New Financial Services Agreement is in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

None of the Directors has material interest in the transactions contemplated under the New Financial Services Agreement. Nevertheless and for the sake of good corporate governance, those Directors (namely Yuan Shaoli, Wang Hongxin and Zhang Bin) who are common directors of the Company and CCHK (which is a fellow subsidiary of Chengtong Finance) have abstained from voting on the Board resolutions in relation to the New Financial Services Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

Chengtong Finance is a subsidiary of CCHG. CCHG is the holding company of CCHK which owns the entire issued share capital of World Gain Holdings Limited, a controlling Shareholder. Accordingly, Chengtong Finance is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the New Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios in respect of the provision of the Deposit Services exceed 5%, the provision of the Deposit Services under the New Financial Services Agreement is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, as the relevant percentage ratios in respect of the provision of the Deposit Services exceed 5% but are less than 25%, the provision of the Deposit Services also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

### EGM

The Company will convene the EGM to be held at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 9 November 2015 at 10:00 a.m. for the purpose of considering, and if thought fit, approving the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap). Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the independent Shareholders at the EGM will be taken by poll. A notice of the EGM is set out on pages 32 to 33 of this circular. The resolution in relation to the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap) will be put to vote by the independent Shareholders at the EGM by way of poll.

A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you intend to attend the EGM (or any adjournment thereof), you are requested to complete the accompanying form of proxy and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

As Chengtong Finance is an associate of World Gain Holdings Limited, World Gain Holdings Limited has a material interest in the Deposit Services contemplated under the New Financial Services Agreement. Therefore, World Gain Holdings Limited will abstain from voting on the resolution to approve the Deposit Services under the New Financial Service Agreement (including the Deposit Cap) at the EGM. As at the Latest Practicable Date, World Gain Holdings Limited was holding 2,980,876,119 Shares, representing approximately 51.32% of the total issued share capital of the Company. Save as disclosed, to the best

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## LETTER FROM THE BOARD

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knowledge of the Directors having made all reasonable enquiries, no other Shareholders are interested in the Deposit Services contemplated under the New Financial Services Agreement and required to abstain from voting.

### RECOMMENDATION

An Independent Board Committee comprising all the independent non-executive Directors, has been established to advise the independent Shareholders in relation to the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap). Your attention is drawn to the advice of the Independent Board Committee set out in its letter on pages 12 to 13 of this circular. Your attention is also drawn to the letter of advice from Messis Capital to the Independent Board Committee and the independent Shareholders in respect of the same set out on page 14 to page 28 in this circular.

The Independent Board Committee, having taken into account the advice of Messis Capital, considers that the entering into of the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap) is in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the terms of the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap) are fair and reasonable so far as the independent Shareholders are concerned and recommends the independent Shareholders to vote in favour of the ordinary resolution approving the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap) at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,  
By order of the Board  
**China Chengtong Development Group Limited**  
**Wang Hongxin**  
*Managing Director*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular:*



### CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 217)**

22 October 2015

*To the independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS AND DISCLOSABLE TRANSACTION IN RELATION TO NEW FINANCIAL SERVICES AGREEMENT**

We refer to the circular issued by the Company to its shareholders and dated 22 October 2015 (“**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the Deposit Services contemplated under the New Financial Services Agreement will constitute continuing connected transactions for the Company and is subject to the approval of the independent Shareholders at the EGM.

We have been appointed by the Board to consider the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap) and to advise the independent Shareholders in connection therewith. Messis Capital has been appointed as the independent financial adviser to advise us in this respect. We wish to draw your attention to the letter from the Board and the letter from Messis Capital as set out in the Circular. Having considered (i) the ability of Chengtong Finance in providing the Group with flexible and tailor-made financial services in a more cost-effective manner (for example, in terms of generally lower administration fee charged by Chengtong Finance); (ii) the more favourable terms offered by Chengtong Finance as compared with other major commercial banks in the PRC; (iii) the financial strength of Chengtong Finance; and (iv) the principal factors and reasons considered by, and the advice of, Messis Capital as set out in its letter of advice, we consider that the entering into of

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap) is in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap) are fair and reasonable so far as the independent Shareholders are concerned. Accordingly, we recommend the independent Shareholders to vote in favour of the ordinary resolution approving the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap) at the EGM.

Yours faithfully,

For and on behalf of

*Independent Board Committee*

**Chang Qing Lee Man Chun, Tony He Jia**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from Messis Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular, to the Independent Board Committee and the independent Shareholders regarding the terms of the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap).*



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

22 October 2015

*To: The Independent Board Committee and the independent Shareholders of  
China Chengtong Development Group Limited*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION IN RELATION TO NEW FINANCIAL SERVICES AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders in connection with the terms of the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 22 October 2015 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the continuing connected transaction announcement of the Company dated 21 May 2014, the circular of the Company dated 25 August 2014 and poll results announcement of the Company dated 18 September 2014. The Company entered into the Financial Services Agreement with Chengtong Finance on 21 May 2014 in respect of provision of certain financial services by Chengtong Finance to the Group. The resolution in relation to the Financial Services Agreement and its contemplated transactions was proposed but was not passed by the Shareholders at the Previous EGM. As advised by the Directors, after the Previous EGM at which the corresponding resolution in relation to the Financial Services Agreement and the contemplated transactions was not passed by the Shareholders, the Company re-negotiated with Chengtong Finance on the terms of relevant financial services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Reference is made to the announcement of the Company dated 6 August 2015 in which the Company announced that after trading hours on 6 August 2015, the Company entered into the New Financial Services Agreement with Chengtong Finance, pursuant to which Chengtong Finance agreed to provide the Group with a range of financial services, including Deposit Services, loan services and other financial services, for a term commencing from the Effective Date to 31 December 2017, subject to the terms and conditions provided therein.

Chengtong Finance is a subsidiary of CCHG. CCHG is the holding company of CCHK which owns the entire issued share capital of World Gain Holdings Limited, a controlling Shareholder. Accordingly, Chengtong Finance is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the New Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios in respect of the provision of the Deposit Services under the New Financial Services Agreement exceed 5%, the provision of the Deposit Services under the New Financial Services Agreement is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, as the relevant percentage ratios in respect of the provision of the Deposit Services exceed 5% but are less than 25%, the provision of the Deposit Services under the New Financial Services Agreement also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. As Chengtong Finance is an associate of World Gain Holdings Limited, which is a controlling Shareholder, World Gain Holdings Limited has a material interest in the Deposit Services contemplated under the New Financial Services Agreement. Therefore, World Gain Holdings Limited will abstain from voting on the resolution to approve the Deposit Services under the New Financial Services Agreement (including the Deposit Cap) at the EGM. To the best knowledge of the Directors after having made all reasonable enquiries, other than World Gain Holdings Limited, no Shareholder is required to abstain from voting on the resolution proposed at the EGM. As set out in the Letter from the Board, none of the Directors has material interest in the transaction contemplated under the New Financial Services Agreement but for the sake of good corporate governance, those Directors (namely Yuan Shaoli, Wang Hongxin and Zhang Bin) who are common directors of the Company and CCHK (which is a fellow subsidiary of Chengtong Finance) have abstained from voting on the Board resolution in relation to the New Financial Services Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all independent non-executive Directors, namely Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia, has been established to advise the independent Shareholders in relation to the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap). We, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in this regard.

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## **LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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As at the Latest Practicable Date, Messis Capital Limited did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to the independence of Messis Capital Limited. In the past two years, we have acted as an independent financial adviser to the independent board committee and independent shareholders of the Company regarding a discloseable and connected transaction of the Company, details of which are set out in its circular dated 23 September 2014. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company. Notwithstanding, we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

### **BASIS OF OUR ADVICE AND RECOMMENDATIONS**

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the management of the Company are true and accurate at the time they were made and will continue to be accurate as at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties to the New Financial Services Agreement.

This letter is issued for the information of the Independent Board Committee and the independent Shareholders solely in connection with their consideration of the terms of Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap). Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendations to the Independent Board Committee and the independent Shareholders, we have considered the following principal factors and reasons:

#### 1. Background information of the Group

The Group is principally engaged in property development, property investment, financial leasing, hotel and marine travelling services, bulk commodity trade and trading of coal.

The table below sets out the key financial information of the Group for the two years ended 31 December 2014 and the six months ended 30 June 2015 as extracted from the Company's annual report for the year ended 31 December 2014 (the "Annual Report") and the interim report of the Company for the six months ended 30 June 2015 (the "Interim Report"), respectively.

	<b>For the six months ended/ As at 30 June 2015 (Unaudited) HK\$'000</b>	<b>For the year ended/ As at 31 December 2014 (Audited) HK\$'000</b>	<b>2013 (Audited) HK\$'000</b>
Revenue	259,637	3,224,100	15,500,313
(Loss)/profit before income tax	73,487	(15,728)	146,473
(Loss)/profit for the year	45,976	(96,255)	64,318
Bank balance and cash ( <i>Note 1</i> )	1,269,044	728,127	2,557,297
Total assets	5,076,759	5,739,866	19,721,208
Net assets	3,027,469	2,013,949	2,217,620

*Note 1:* This amount did not include structured bank deposits and pledged bank deposits of the Group.

Bulk commodity trading was the largest business segment of the Group accounted for approximately 93.9% and 98.6% of its total revenue for the year ended 31 December 2014 and 31 December 2013, respectively. The Group's bulk commodity trade business recorded a loss of approximately HK\$122 million during the year ended 31 December 2014 as compared to a profit of approximately HK\$35 million for the year ended 31 December 2013. As stated in the Annual Report, the loss was mainly due to the facts that the market prices of bulk commodities fluctuated downwards during 2014 and the Group settled procurement payment by long term letter of credit for which suppliers charged higher price than the commodity prices quoted on commodity exchange in the bulk commodity trade business.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the Interim Report, since February 2015, the Group has temporarily suspended its bulk commodity trade business and only retained its coal trading business which mainly consisted of coal blending on behalf of customers. It also accelerated the transformation and upgrade of the marine travelling service business, maintained the financial leasing business and continued the development of property development and property investment business. Despite a decrease in turnover, profitability has enhanced significantly and the asset liability structure continued to improve.

During the year ended 31 December 2014, the net cash generated from the Group's operating activities amounted to approximately HK\$6.3 billion. The bank balance and cash (excluding structured bank deposits and pledged bank deposits) amounted to approximately HK\$1,269 million, HK\$728 million and HK\$2,557 million as at 30 June 2015, 31 December 2014 and 31 December 2013, representing approximately 25.0%, 12.7% and 13.0% of the Group's total assets, respectively. As advised by the Directors, due to the bulk volume of cash flows incurred during the daily operations of the Group and the significant amount of cash and bank balances held by the Group, the Group requires financial services (including deposit services) from financial institutions in Hong Kong and the PRC to support its daily cash and treasury management.

### 2. Background information of Chengtong Finance

Chengtong Finance is a company incorporated in the PRC and a non-banking financial institution with 金融許可證 (a financial licence issued by the CBRC). It is principally engaged in provision of financial services, including deposit taking, credit facilities granting, settlement services, and other types of financial services to the Member Companies.

From the information provided by the Company, Chengtong Finance recorded a revenue of approximately RMB112 million, net interest income of approximately RMB111 million, net profit of approximately RMB66 million for the year ended 31 December 2014 and net assets of approximately RMB1,080 million as at 31 December 2014.

As advised by the Directors, Chengtong Finance is a non-banking financial institution which principally provides financial services to the Member Companies and is therefore governed under the Administrative Measures for Enterprise Group Finance Companies (企業集團財務公司管理辦法) (the "Administrative Measures"). Financial institutions governed under this must comply with certain financial ratio requirements as set out in the Administrative Measures from time to time.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The table below sets out the key financial ratio requirements of the Administrative Measures and the respective financial ratios of Chengtong Finance as provided by the Company as at 31 December 2013 and 31 December 2014.

Financial ratio	Requirements	Financial ratio of Chengtong Finance	
		As at 31 December 2013 (%)	As at 31 December 2014 (%)
Capital adequacy ratio	Not less than 10%	55.87	46.99
Inter-financial institution borrowing balances to total capital ratio	Not more than 100%	0	0
Total amount of outstanding guarantees to total capital ratio	Not more than 100%	0	0
Short-term securities investment to total capital ratio	Not more than 40%	0	0
Long-term investment to total capital ratio	Not more than 30%	0	0
Self-owned fixed assets to total capital ratio	Not more than 20%	0.36	0.25

As shown in the table above, we note that Chengtong Finance complied with the relevant financial ratio requirements as set out in the Administrative Measures as at 31 December 2013 and 31 December 2014. In particular, (i) the capital adequacy ratio of Chengtong Finance was far higher than the minimum required ratio of 10%; (ii) Chengtong Finance recorded no inter-financial institution borrowing balances, outstanding guarantees, short-term securities investment and long-term investment as at 31 December 2013 and 2014 and therefore had little exposures on contingent liabilities or investment losses; and (iii) the self-owned fixed assets to total capital ratio was far below the required limit of 20%. We have also been advised by the Directors that to the best of their knowledge, up to the Latest Practicable Date, there was no record of non-compliance with relevant laws and regulations of the PRC on Chengtong Finance.

Based on the above, having considered that (i) it is the principal business of Chengtong Finance to provide financial services (including the Deposit Services) to the Member Companies; (ii) Chengtong Finance is a licensed financial institution and governed by the CBRC under the Administrative Measures; and (iii) Chengtong Finance complied with relevant financial ratio requirements of the Administrative Measures and had demonstrated healthy financial positions as at 31 December 2013 and 2014, we concur with the Directors' view that Chengtong Finance is one of the eligible financial institutions for the provision of financial services (including the Deposit Services) to the Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Reasons for and benefits of entering into the New Financial Services Agreement

As advised by the Directors, the Group will benefit from the entering into the New Financial Services Agreements as follows:

*(i) Flexible and tailor-made financial services*

Given Chengtong Finance and the Group are both members within the group of CCHG, the Directors believe that Chengtong Finance is much more familiar with the Group's operation than other financial institutions. The Group is therefore expected to benefit from the flexible and tailor-made financial services provided by Chengtong Finance in areas such as simplified application processes and procedures for borrowings and enjoy relatively more flexible drawdowns and repayment schedules. Furthermore, Chengtong Finance has developed an operating network with a number of commercial banks in the PRC. By using the services of Chengtong Finance, the Group will be able to get access to this network for integrated banking services. In particular, the Group can make fund transfers through this system at no services charge which can reduce the finance cost of the Group.

*(ii) More favourable terms offered by Chengtong Finance*

As advised by the Directors, being a subsidiary of CCHG, Chengtong Finance is expected to provide centralised financial platform for the Group with less cost. As a result, Chengtong Finance is able to offer the Group with favourable terms for the Deposit Services. Pursuant to the terms of the New Financial Services Agreement, Chengtong Finance agreed that the interest rates under the Deposit Services to the Group shall (i) be 20%-50% higher than the deposit interest rate prescribed by the PBC for deposits with the same term and of the same type; (ii) not be lower than the interest rates payable by the major commercial banks in the PRC for deposits with the same term and of the same type; and (iii) not be lower than the interest rates offered by Chengtong Finance to any third party for deposits with the same term and of the same type. For loan services, the interest rates to be provided to the Group will be (i) lower than the loan interest rates prescribed by the PBC for loans with the same term and of the same type, subject to the relevant regulatory requirements; and (ii) not higher than the interest rates offered to the Group by the major commercial banks in the PRC for loans with the same term and of the same type.

*(iii) Financial strength of Chengtong Finance*

Chengtong Finance is subject to the supervision of the CBRC and provides its services in accordance with the rules and operational requirements of CBRC. The management of the Company believes that, as at the Latest Practicable Date, Chengtong Finance had shown healthy financial position and had been under good corporate governance with quality internal control system. Chengtong Finance has complied with the rules and regulations

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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stipulated by the CBRC and its internal control and risk management measures since its commencement of operation. The management of the Company also believe that the risk profile of Chengtong Finance, as a financial services provider to the Company, is not greater than that of independent commercial banks in the PRC.

In addition, as advised by the Directors, CCHG had undertaken to the CBRC that it will increase the capital of Chengtong Finance if Chengtong Finance has difficulty in payment. CCHG is a state-owned enterprise established in the PRC with a registered capital of approximately RMB9.38 billion as at 19 March 2015. CCHG's audited net assets value as at 31 December 2014 was RMB26.16 billion. Given the strong financial background of CCHG and its aforesaid undertaking to increase the capital of Chengtong Finance, the Directors are of the view that the Group's interest is sufficiently safeguarded should the Group make deposits with Chengtong Finance pursuant to the terms of the New Financial Services Agreement.

Having considered that (i) the Group will be able to enjoy flexible and tailor-made financial services from Chengtong Finance; (ii) the Group can enjoy a more favourable terms (in particular the interest rates under the Deposit Services); and (iii) the interests of the Group can be sufficiently safeguarded with the strong financial positions of Chengtong Finance and CCHG, we concur with the view of the Directors that the entering into of the Deposit Services contemplated under the New Financial Services Agreement is in the interest of the Company and the Shareholders as a whole.

#### **4. Principal terms of the Deposit Services under the New Financial Services Agreement**

The principal terms of the Deposit Services contemplated under the New Financial Services Agreement are summarised as follows:

Date:	6 August 2015
Parties:	(i) the Company; and (ii) Chengtong Finance
Duration:	From the Effective Date to 31 December 2017
Key terms of the Deposit Services:	(1) The Group can make deposits with Chengtong Finance at its discretion, such as current deposit, call deposit and time deposit.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (2) The interest rates payable by Chengtong Finance to the Group for any deposits shall (i) be 20%–50% higher than the deposit interest rate prescribed by the PBC for deposits with the same term and of the same type (in the event that an adjustment to the deposit interest rate is made by the PBC, the applicable interest rate shall follow the latest benchmark interest rate and range of increment); (ii) not be lower than the interest rates payable by the major commercial banks in the PRC for deposits with the same term and of the same type; and (iii) not be lower than the interest rates offered by Chengtong Finance to any third party for deposits with the same term and of the same type.
- (3) Deposit Cap: The daily balance of the Group's deposits (including any interest accrued therefrom) with Chengtong Finance for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 shall not exceed an amount equivalent to RMB500 million.
- (4) The above balance of the Group's deposits excludes (i) loans, entrusted loans or discounted bills advanced by Chengtong Finance to the Group; (ii) loan interests payable by the Group to Chengtong Finance; and (iii) the bank loans obtained through guarantee provided by Chengtong Finance.
- (5) Chengtong Finance will ensure the security of the Group's deposits by depositing them into commercial banks approved by the PRC government.
- (6) In case Chengtong Finance is unable to pay back the Group's deposits to the Group, the Company shall have the right to terminate the New Financial Services Agreement and offset any loan repayable by the Group to Chengtong Finance by the amount of deposits due to the Group from Chengtong Finance.
- (7) Chengtong Finance shall indemnify the Company in full for any economic loss suffered by the Company as a result of Chengtong Finance's breach of the New Financial Services Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Chengtong Finance undertakes to the Group, among other things, that it shall:

- (a) ensure the safety and independence of the Group's deposits and not impose any restriction thereon;
- (b) cooperate with the Group in compliance with the disclosure requirements under the relevant rules and regulations regarding the connected transactions contemplated under the New Financial Services Agreement;
- (c) regularly supply annual audit report or such other financial information as requested by the Company, regularly disclose its operation and financial conditions to the Company, allow the Company's auditors to review its accounting records for the purpose of complying with Listing Rules;
- (d) allow and cooperate with the Group to carry on stress testing on its deposits with Chengtong Finance from time to time; and
- (e) notify the Company and take measures to prevent loss from happening or further loss should it be in breach of relevant laws and regulations or subject to regulatory proceedings or have material adverse changes in its financial condition.

CCHG, the ultimate holding company of Chengtong Finance, has also undertaken to the CBRC that it will increase the capital of Chengtong Finance in case Chengtong Finance has difficulty in payment (including but not limited to the payment of any indemnity to the Company pursuant to the terms of the New Financial Services Agreement).

Pursuant to the terms of the Deposit Services contemplated under the New Financial Services Agreement, the interest rate applicable to the Group's deposits placed with Chengtong Finance shall (i) be 20%–50% higher than the deposit interest rate prescribed by the PBC for deposits with the same term and of the same type; (ii) not be lower than the interest rates payable by the major commercial banks in the PRC for deposits with the same term and of the same type; and (iii) not be lower than the interest rates offered by Chengtong Finance to any third party for deposits with the same term and of the same type. Accordingly, the interest rates to be enjoyed by the Group from the deposits placed under the Deposit Services under the New Financial Services Agreement will be at no less favourable terms than those offered by the other major commercial banks in the PRC which are independent third parties.

Moreover, pursuant to the terms of the Deposit Services contemplated under the New Financial Services Agreement, the Group can make deposits with Chengtong Finance at its discretion. The Group is therefore neither obliged nor committed to engage Chengtong Finance to provide the Deposit Services under the New Financial Services Agreement and Chengtong Finance is merely

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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one of the financial institutions which provide deposit services to the Group. This allows the Group to select the appropriate provider for deposit services as and when the Directors consider fit.

According to the New Financial Services Agreement, Chengtong Finance makes certain undertakings to the Group to enable the Group to assess the risks on placing deposits with Chengtong Finance from time to time and to safeguard the Group's deposits. As advised by the Directors, the Group did not obtain similar undertakings from financial institutions which are currently providing deposit services to the Group.

As advised by the Directors, after the Previous EGM at which the corresponding resolution in relation to the Financial Services Agreement and the contemplated transactions was not passed by the Shareholders, the Company renegotiated with Chengtong Finance on the terms of relevant financial services. Set out below are the key differences between the terms of the New Financial Services Agreement and the Financial Services Agreement:

	<b>New Financial Services Agreement</b>	<b>Financial Services Agreement</b>
Deposit Services	The interest rates payable by Chengtong Finance to the Group for any deposits placed with Chengtong Finance shall be 20%–50% higher than the deposit interest rates prescribed by the PBC.	The interest rates payable by Chengtong Finance to the Group for any deposits placed with Chengtong Finance shall not be lower than the benchmark interest rates prescribed by the PBC.
loan services	The interest rates payable by the Group to Chengtong Finance for any loans offered by Chengtong Finance shall be lower than the interest rates prescribed by the PBC and shall not be higher than the interest rates charged by other major commercial banks in the PRC for loans with the same term and of the same type.	The interest rates payable by the Group to Chengtong Finance for any loans offered by Chengtong Finance shall not be higher than the interest rates charged by other major financial institutions in the PRC for loans with the same term and of the same type.

Comparing the key terms of the New Financial Services Agreement and the Financial Services Agreement, the Company is able to secure better commercial terms for both the Deposit Services and the loan services. In particular, the interest rates to be enjoyed for deposits placed with Chengtong Finance shall be 20%–50% higher than the interest rates prescribed by the PBC under the New Financial Services Agreement which is more favourable than the relevant terms under the Financial Services Agreement.

Having considered the above, in particular that (i) the interest rates to be enjoyed from the deposits placed under the New Financial Services Agreement will be more favourable than the relevant terms under the Financial Services Agreement and will not be lower than those offered by the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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other major commercial banks in the PRC with the same term and of the same type; (ii) the Group has its discretion to use the Deposit Services; (iii) the Group has obtained certain undertakings from Chengtong Finance to protect the interests of the Group; and (iv) CCHG has undertaken to the CBRC that it will increase the capital of Chengtong Finance in case Chengtong Finance has difficulty in payment, we are of the view that the terms of the Deposit Services contemplated under the New Financial Services Agreement are on normal commercial terms, fair and reasonable so far as the Company and the independent Shareholders are concerned, and the entering into of the Deposit Services contemplated under the New Financial Services Agreement is in the interest of the Company and the Shareholder as a whole.

### 5. Basis of the determination of the Deposit Cap

It is proposed that the maximum daily balance of the Group's deposits (including any interest accrued therefrom) with Chengtong Finance for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 shall not exceed an amount equivalent to RMB500 million. Pursuant to the terms of the New Financial Services Agreement, the above balance for the purpose of the Deposit Cap excludes (i) loans, entrusted loans or discounted bills advanced by Chengtong Finance to the Group; (ii) loan interests payable by the Group to Chengtong Finance; and (iii) the bank loans obtained through guarantee provided by Chengtong Finance. The Company confirms that there was no historical cap and no outstanding balance for the Deposit Services with Chengtong Finance as at the Latest Practicable Date.

As set out in the Letter from the Board, the Deposit Cap is determined based on the amount of deposits historically made by the Group with other independent commercial banks in the PRC. The maximum monthly ending balances of deposits made by the Group with other independent commercial banks in the PRC during the period from 1 January 2013 to 30 June 2015 (the "**Reference Period**") was approximately RMB4,861 million. We are also given to understand that as at 30 June 2015, the Group had deposits at 17 independent commercial banks in the PRC. We also noted that the Deposit Cap represents approximately 47.7% of the Group's bank balances and cash (excluding structured bank deposits and pledged bank deposits) as at 30 June 2015 of approximately HK\$1,269 million (approximately RMB1,049 million).

Based on the above, in particular that (i) the Deposit Cap of RMB500 million is well below the maximum monthly ending balances of deposits made by the Group with other independent commercial banks in the PRC during the Reference Period and only represents approximately 10% of the maximum monthly ending balance of approximately RMB4,861 million during the Reference Period; (ii) the Group has diversified financial services providers on deposit services; and (iii) the Deposit Cap does not represent a major portion of the Group's bank balances and cash (excluding structured bank deposits and pledged bank deposits) as at 30 June 2015, we concur with the Directors' view that the basis for determining the Deposit Cap is fair and reasonable so far as the independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 6. Internal control and risk management of the Company

As set out in the Letter from the Board, in order to safeguard the interests of the Shareholders, the Company has adopted, among others, the following internal control procedures and corporate governance procedures in order to ensure that the individual deposit transactions with Chengtong Finance will be conducted within the framework of the Deposit Services contemplated under the New Financial Services Agreement:

- (a) The Company has established a special working committee (“**Working Committee**”) which is led by the chairman of the Board to monitor and control the risk of the Deposit Services and to formulate solutions in resolving any risk which may arise in connection therewith. The general manager and the vice general manager of the Company act as the vice chairman of the Working Committee. The Working Committee also includes the head of the finance and capital department, risk control and legal affairs department and operation management department.
- (b) The Company has also established a risk reporting system for the Deposit Services. The Working Committee will review the financial statements of Chengtong Finance periodically and collect risk management report and the annual operation report of Chengtong Finance submitted to the CBRC by Chengtong Finance on a yearly basis. The Working Committee will also assess the business and financial risks of Chengtong Finance during the term of the New Financial Services Agreement and report to the Board in a timely manner.
- (c) The treasury manager of the finance and capital department of the Company (“**Treasury Manager**”) will, among other matters, monitor the daily balance of the deposits made by the Group with Chengtong Finance and will compare (i) the term of deposit and the corresponding deposit benchmark interest rates prescribed by the PBC, to ensure the interest rate offered by Chengtong Finance is 20%-50% higher than the deposit interest rates prescribed by the PBC; and (ii) the market interest rates offered to the Group from at least two leading independent commercial banks (e.g. China Merchants Bank and Agricultural Bank of China etc.) with the interest rates offered by Chengtong Finance for the relevant type of deposit on a monthly basis in order to ensure that the terms and conditions offered by Chengtong Finance to the Group are no less favourable than those offered by other independent commercial banks and in accordance with the terms under the New Financial Services Agreement.
- (d) The Treasury Manager will obtain information as to the deposit interest rate which Chengtong Finance offers to other Member Companies on a monthly basis in order to ensure that the interest rate offered to the Group is not lower than that offered by Chengtong Finance to other Member Companies.
- (e) The Treasury Manager will also obtain a breakdown of Chengtong Finance’s deposits (including the names of the banks and the amount of deposit balance) on a monthly basis in

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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order to ensure that the Group's deposits placed with Chengtong Finance is deposited into commercial banks approved by the PRC government.

- (f) By monitoring the amount of deposits placed by the Group with Chengtong Finance on a regular basis, the Company will ensure that the amount of deposits will not exceed the Deposit Cap.

Before the Company or any of its subsidiaries enters into any individual agreement for the Deposit Services with Chengtong Finance, the Group will obtain not less than two quotations from other independent commercial banks (which shall be leading licensed banks in the PRC) in relation to deposit services of the same type and with the same duration. These quotations together with the quotation of Chengtong Finance will be submitted to the financial controller of the Company for review. The financial controller of the Company will then seek the approval of an executive Director as to whether or not to accept the quotation of Chengtong Finance.

The Treasury Manager will prepare cashflow statement on a weekly basis according to the cashflow condition of the Group. If it is necessary to adjust the balance of the deposits made by the Group with Chengtong Finance, an application will need to be made to the manager of the finance department and if approved by the manager of the finance department, the proposed adjustment will be reported to a Director authorised by the Company. The adjustment can only be made if it is approved by the Director so authorised after considering factors which are independent from the controlling Shareholder, such as the maximisation of interest income for the Group and the Group's expected cashflow.

Having considered that (i) the Working Committee involves a variety of personnel and departments of the Company, including its risk control and legal affairs department; (ii) there are measures in place to allow the Working Committee to access the financial statements, risk management report and the annual operation report of Chengtong Finance; (iii) the Treasury Manager will compare the interest rates payable by Chengtong Finance to the Group with the comparable deposit interest rate prescribed by the PBC and interest rates payable by the major commercial banks in the PRC in accordance with the terms under the New Financial Services Agreement; (iv) the Company will ensure that the amount of deposits will not exceed the Deposit Cap by monitoring the amount of deposits placed by the Group with Chengtong Finance on a regular basis; (v) not less than two quotations from other independent commercial banks will be obtained before the Company or any of its subsidiaries enters into any individual agreement for the Deposit Services with Chengtong Finance; (vi) breakdown of Chengtong Finance's deposits (including the name of the banks and the amount of deposit balance) will be obtained on a monthly basis to ensure the Group's deposits is deposited into commercial banks approved by the PRC government; and (vii) Chengtong Finance and CCHG have provided certain undertakings as detailed in the section headed "Undertakings by Chengtong Finance and CCHG" in the Letter from the Board, we concur with the Directors' view that the Company's internal control measures are adequate to ensure that the individual transactions will be conducted within the framework of the New Financial Services Agreement.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, in particular:

- the background information of the Group and Chengtong Finance as set out under the section headed “1. Background information of the Group” and “2. Background information of Chengtong Finance”;
- the reasons and benefits for entering into the New Financial Services Agreements as set out under the section headed “3. Reasons for and benefits of entering into the New Financial Services Agreement”;
- the principal terms of the Deposit Services under the New Financial Services Agreement as set out under the section headed “4. Principal terms of the Deposit Services under the New Financial Services Agreement”;
- the basis for determining the Deposit Cap as set out under the section headed “5. Basis of the determination of the Deposit Cap”; and
- the internal control and risk management of the Company as set out under the section headed “6. Internal control and risk management of the Company”,

we consider that the entering into of the New Financial Services Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We are also of the view that the terms of the New Financial Services Agreement (including the Deposit Cap) are on normal commercial terms and fair and reasonable so far as the independent Shareholders are concerned. Accordingly, we recommend the independent Shareholders, as well as the Independent Board Committee to recommend the independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Deposit Services contemplated under the New Financial Services Agreement (including the Deposit Cap).

*Note: In this letter, currency conversion has been made at the rate of RMB1.00 to HK\$1.21.*

Yours faithfully,  
For and on behalf of  
**Messis Capital Limited**  
**Vincent Cheung**  
*Director*

*Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 8 years of experience in corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of each Director in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### Long position in the Shares and underlying Shares of the Company

<b>Name of Directors</b>	<b>Nature of interest</b>	<b>Class of Shares</b>	<b>Number of Shares</b>	<b>Approximate percentage of interest</b>
Yuan Shaoli	Beneficial owner	Ordinary	300,000	0.0052%
Wang Hongxin	Beneficial owner	Ordinary	600,000	0.0103%
Wang Tianlin	Beneficial owner	Ordinary	400,000	0.0069%
Zhang Bin	Beneficial owner	Ordinary	300,000	0.0052%

- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

- (c) Mr. Yuan Shaoli is a director of World Gain Holdings Limited, being the controlling Shareholder which has an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.
- (d) Mr. Yuan Shaoli, Mr. Wang Hongxin and Mr. Zhang Bin are also directors of CCHK, which is the controlling shareholder of World Gain Holdings Limited and has an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.
- (e) As at the Latest Practicable Date,
  - (i) none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2014, being the date to which the latest published audited accounts of the Group were made up; and
  - (ii) none of the Directors was materially interested in contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

### **3. DIRECTORS' SERVICE CONTRACTS**

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

### **4. MATERIAL ADVERSE CHANGE**

The Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date.

### **5. COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors nor his close associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

**6. EXPERT**

The following is the qualification of the expert who has been named in this circular or has given opinion, letter or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Messis Capital Limited	a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

Messis Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, Mesis Capital was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally or beneficially enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Company's registered office at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including 9 November 2015:

- (a) the Financial Services Agreement; and
- (b) the New Financial Services Agreement.

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## NOTICE OF EGM

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### CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 217)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“**Meeting**”) of China Chengtong Development Group Limited (“**Company**”) will be held at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 9 November 2015 at 10:00 a.m., for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Ordinary Resolution of the Company:

### ORDINARY RESOLUTION

“**THAT**

- (a) the financial services agreement dated 6 August 2015 (“**Financial Services Agreement**”) and entered into between the Company and 誠通財務有限責任公司 (China Chengtong Finance Corporation Ltd.) (“**Chengtong Finance**”) (copy of which has been produced to the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) in relation to the provision of a range of financial services by Chengtong Finance to the Company and its subsidiaries (collectively, the “**Group**”), including but not limited to the provision of the deposit services as stipulated thereunder, be and is hereby approved, confirmed and ratified;
- (b) the proposed maximum daily outstanding balance of deposits placed by the Group with Chengtong Finance (including any interest accrued therefrom) in the amount not exceeding an equivalent of RMB500 million for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 be and is hereby approved;
- (c) any one of the directors of the Company (each a “**Director**”) be and is hereby authorised to take all steps, for and on behalf of the Company, which are in his opinion necessary or expedient to implement and/or give effect to the terms of the Financial Services Agreement; and

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## NOTICE OF EGM

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- (d) any one of the Directors be and is hereby authorised to execute all such other documents, instruments and agreements and to do all such acts or things, for and on behalf of the Company, which he deems to be incidental to, ancillary to or in connection with the matters contemplated under the Financial Services Agreement and to agree to any amendment to any of the terms of the Financial Services Agreement which in the opinion of such Director is not of a material nature and is in the interests of the Company.”

By order of the Board  
**China Chengtong Development Group Limited**  
**Wang Hongxin**  
*Managing Director*

22 October 2015

Registered office in Hong Kong:  
Suite 6406, 64th Floor  
Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. If more than one proxy is so appointed, the form of proxy shall specify the number and class of shares of the Company in respect of which each such proxy is appointed. A proxy need not be a member of the Company. In case of a joint holding, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such shares of the Company as if he/she were solely entitled thereto; but if more than one joint holder is present at the Meeting, whether in person or by proxy, that one of the joint holders whose name stands first in the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
2. To be valid, the form of proxy together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
3. Delivery of a form of proxy should not preclude a member of the Company from attending and voting in person at the Meeting or any adjournment thereof and in such event, the form of proxy shall be deemed to be revoked.
4. The above resolution will be voted by way of poll as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

*As at the date hereof, the executive Directors are Mr. Yuan Shaoli, Mr. Wang Hongxin, Mr. Wang Tianlin and Mr. Zhang Bin; and the independent non-executive Directors are Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia.*